

**FISCAL NOTE**  
**HB 2176 - SB 2192**

February 2, 2004

**SUMMARY OF BILL:** Creates the *Tennessee Motion Picture Incentive Act* which provides an exemption from the payment of the Hall income tax, business tax, franchise and excise tax, and sales and use tax for companies that produce a movie or film in Tennessee when 51% of the skilled workforce used to produce the movie or film are permanent residents of the state. Currently, the only similar existing exemption is for a refund of sales tax to out-of-state motion picture companies with verifiable expenditures no less than \$500,000 in Tennessee.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - Exceeds \$420,000**

**Decrease Local Govt. Revenues - Exceeds \$144,000**

**Other Fiscal Impact - The estimated fiscal impact presented in this fiscal note represents only the potential loss in sales and use tax to local and state governments. The Department of Revenue has no data available on the potential loss of Hall, business, and franchise and excise taxes associated with the types of companies indicated in this bill and such data are not available from other sources. Therefore, the actual loss to state and local governments would likely be much higher than the numbers presented.**

Estimate assumes:

- The language of the bill states that "movie or film" production would be subject to the exemptions provided by this legislation. The Department of Revenue has stated that they will use a broad interpretation of this language which would include multiple types of video and film production including television shows, music videos, and independent productions in addition to movies and made-for-television movies.
- In-state expenditures on such productions are at least \$20,000,000 in an average year.
- Of the \$20,000,000 spent each year, 30% of these expenditures are currently subject to the sales and use tax.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

